

***Policy Manual for  
Investment Professional Staff***

***of***

***the Commonwealth of Pennsylvania  
Public School Employees' Retirement Board***

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## INTRODUCTION

The Board (Board) of the Public School Employees' Retirement System (PSERS) is an independent administrative board of the Commonwealth of Pennsylvania. The members of the Board stand in a fiduciary relationship to the PSERS' members regarding the investments and disbursements of moneys of the Fund. The members of the Board, as trustees of the Fund, have exclusive control and management of the Fund and full power to invest the Fund, subject to observance of such standards of fiduciary conduct and such other terms, conditions, limitations and restrictions on the making of investments as may be provided by law. Pursuant to the Public School Employees' Retirement Code 24 PA.C.S §8502(a), the Board has full classification and compensation authority for all its investment professional positions (Investment Professionals).

In keeping with the Board's fiduciary duties, PSERS' compensation program for its Investment Professionals is designed to provide, *inter alia*, full transparency for PSERS' members, beneficiaries, and other related constituents. As such, PSERS' compensation program for its Investment Professionals is administered under the Board's full and rigorous oversight and with careful supporting review provided by PSERS' Internal Auditor.

In carrying out its fiduciary responsibilities, the Board administers a classification and compensation program and corresponding policies that reflect careful consideration of the following:

To achieve its business and investment objectives, PSERS must be able to attract, motivate, and retain highly qualified experienced investment professionals needed to continue to generate above-average investment returns, and create significant value-added for members and retirees. A reasonable and competitive pay program is critical to achieve these objectives.

Therefore, the policies contained in this document support the overall goal of the Board to attract, motivate, and retain highly qualified experienced investment professionals. This manual details the process and guidelines for salary adjustments and the periodic review of competitive market compensation data to ensure that salaries for Investment Professionals remain competitive.

The policies described in this Manual outline the compensation program as well as the job classification, staff development, and performance management programs for PSERS' Investment Professionals. Subject to further action by the Board, for all other human resource programs and corresponding policies outside the scope of this Policy Manual, PSERS shall follow the standards established by the Executive Board of the Commonwealth of Pennsylvania, i.e., benefit programs and employment policies such as leave usage and earnings, substance abuse, supplementary employment, Equal Employment Opportunity, the Governor's Code of Conduct, etc.

## 1. SALARY ADMINISTRATION

### 1.1. GENERAL

The Board continually strives to have a compensation plan for investment professional staff that attracts and retains highly qualified individuals, establishes internal equity of positions, and maintains external competitiveness. Therefore, the Board shall establish and maintain a pay schedule that reflects market competitive salary ranges for each job classification based on median salary levels in the Public Pension Funds Select Group as identified in section 1.2.

The Board has salary-setting authority for Investment Office professional staff and certain positions in the Office of Financial Management under statute. Subject to this Policy Manual, the Board retains salary-setting authority for the Chief Investment Officer except as provided in section 1.4 of this Policy, and delegates the following:

- authority to the Chief Investment Officer and Executive Director to set salaries for Investment Professional positions in the Investment Office;
- authority to the Executive Director and the Chief Financial Officer to set salaries for the Investment Professional positions in the Office of Financial Management;
- authority to the Executive Director and PSERS' Human Resources Director to set the salary of the Chief Financial Officer position;
- authority to the Executive Director and PSERS' Human Resources Director to set the salary for the Deputy Executive Director & Director of Defined Contribution Investments; and
- authority to the Executive Director and either the Chief Investment Officer, Chief Financial Officer, or PSERS' Human Resources Director to implement the annual salary adjustments as discussed in section 1.4 of this document.

Pay increases shall be based on performance, expanded job duties, retention, internal pay equity relationships, periodic market comparison of peers, or other relevant issues. Annual salary reviews will be conducted to make adjustments to pay based upon merit and competitive levels as necessary, as more particularly provided herein.

Compensation decisions shall not be influenced by race, color, religion, sex, sexual orientation, national origin, disability, age, or ancestry.

### 1.2. PEER COMPARATOR GROUP

The Board has selected the Public Funds Select Group as set forth in Appendix 1 as the peer comparator group for determining the compensation of PSERS' Investment

Professionals. The peer comparator group may be adjusted by the Board to reflect the current market as determined by future independent studies.

### 1.3. PAY SCHEDULE

The Pay Schedule identifies a minimum and maximum salary for each of the pay groups identified in Appendix 2 of this Policy Manual. The pay groups shall be determined based on competitive market data and targeted to the median salary levels (total compensation) of the Public Pension Funds Select Group or as otherwise determined by the Board. The pay schedule shall be updated in line with the most recent peer group compensation study. A compensation analysis will occur every three years or more frequently at the discretion of the Board and Personnel Committee Chairs, and changes to Appendix 2 will be implemented after notification of the Personnel Committee.

If after implementation of a new pay schedule, an employee is below the minimum, the employee will automatically be moved to the beginning salary of the pay range. If after implementation of a new pay schedule, an employee is above the maximum, the employee's salary will remain unchanged until the salary is in line with the next pay schedule change.

### 1.4. ANNUAL SALARY ADJUSTMENTS and COMPUTATIONS

Subject to the availability of funds and in accordance with the chart below, the Chief Investment Officer, with the concurrence of the Executive Director, will determine movement within the salary range for each individual in Pay Groups 1-8, (except for the Office of Financial Management positions), based on an individual's overall annual performance evaluation (both quantitative and qualitative contributions) and an individual's position in the range at the time of the annual review. In the case of the Office of Financial Management positions, the Chief Financial Officer and the Executive Director will make that determination. In the case of the Chief Investment Officer and Chief Financial Officer, the Executive Director with the concurrence of PSERS' Human Resources Director will make that determination.

Annual salary adjustments are to be implemented separate from and prior to any fiscal year promotion. Annual salary adjustments are determined and calculated based on the employee's previous years' performance evaluation overall rating and the employee's salary, at the time the evaluation is completed. To be eligible and considered for an annual salary adjustment, the employee performance review/evaluation must be presented in July of the current year. Employees, who have not held a position for at least six months when the annual July evaluation is due, are not eligible for an annual salary adjustment. Annual salary adjustments are effective July 1 of the current year based on an employee's salary as of June 30<sup>th</sup>. Notwithstanding all the preceding information, all adjustments made under this section shall be done only after consultation with the Chair of the Board and the Chair of the Board's Personnel Committee.

Notwithstanding any other provisions of this policy, the annual salary adjustment for the Deputy Executive Director and Director of Defined Contribution Investments will be determined by the Executive Director. The Executive Director will consult with the Chair of the Board and the Chair of the Investment Committee to determine what the annual salary will be. At no time will the annual compensation of the Deputy Executive Director and Director of Defined Contribution Investments exceed that of the Executive Director.

Notwithstanding any other provisions of this policy, the annual salary adjustments for Audit Staff positions under this policy will be determined by the Executive Director, in consultation with the Chair of the Board and the Chair of the Audit/Compliance Committee. Such annual adjustments shall not be based upon the Fund Performance as set forth at Table 1.2.

The Executive Director in consultation with the Chief Investment Officer, Chief Financial Officer, or Human Resources Director, as appropriate, may consider salary adjustments for new Investment Professionals in conjunction with a six-month performance evaluation. No action related to salary adjustments will be considered for new employees until the completion of a six-month performance evaluation.

For employees who fall below the maximum salary, the annual salary adjustment will be computed by taking the existing salary and multiplying it by the factor determined in Table 1.1, Salary Multiplier Based on Performance Rating, using the annual performance rating and the appropriate quartile within the pay group. If the adjustment would cause the employee's salary to go above the maximum for the position within the pay group, the employee shall receive a salary increase to the maximum amount and receive the difference, above the maximum, as a one-time cash payment. For employees at or above the maximum, a one-time cash payment will be processed using the 4<sup>th</sup> quartile salary multiplier in Table 1.1. An additional factor in calculating the final annual salary adjustment or cash payment will be the Annual Net of Fee Investment Performance of the Total Fund (Net of Fee Performance) in relation to the Actuarial Assumed Rate of Return for the fiscal year-ended June 30th. The salary adjustment determined by using Table 1.1 will be further adjusted by the factor found in Table 1.2, Adjustment to Salary Increase Based on Fund Performance.

<b>Table 1.1 Salary Multiplier Based on Performance Rating</b>				
<b>Performance Rating</b>	<b>Position in Salary Range Before Adjustment</b>			
	1st Quartile	2nd Quartile	3rd Quartile	4th Quartile
Outstanding/Far Exceeds Expectations	14%	11%	9%	6%
Commendable/Exceeds Expectations	11%	9%	6%	3%
Satisfactory/Meets Expectations	9%	6%	3%	0%
Needs Improvement/Unsatisfactory	0%	0%	0%	0%

<b>Table 1.2 Adjustment to Salary Increase Base on Fund Performance</b>	
<b>Annual Net of Fee Investment Performance as a Percent of Actuarial Assumed Rate of Return</b>	<b>Percent of Annual Salary Adjustment Received</b>
> 175%	100.00%
125.1 - 175.0%	85%
75.0 - 125.0%	70%
25.0 - 74.9%	55%
< 24.9%	40%

Example: A Senior Investment Professional (PG3) making \$135,000 (3<sup>rd</sup> Quartile) receives a commendable rating on their annual June 30 performance review. Going to Chart 1.1 this equates to a 6% annual pay adjustment. This percentage must then be adjusted based on the Net of Fee Performance as a percent of the Actuarial Assumed Rate of Return. The Net of Fee Performance was 3.5% and the Actuarial Assumed Rate of Return was 7.25% for the year. This equates to a percent of the Actuarial Assumed Rate of Return of 48.275% ( $3.5/7.25 = 48.275\%$ ). Going to Table 1.2, 48.275% falls into the 25.0 - 74.9% range, which equates to a 55% modification to the Table 1.1 calculated pay adjustment. The initial 6% pay adjustment must then be adjusted to a 3.3% pay increase ( $6 \times .55 = 3.3\%$ ). Applying that to the \$135,000 current salary would result in a pay increase of \$4,455 bringing the new salary to \$139,455 ( $\$135,000 \times .033 = \$4.455$ ).

## 1.5. PROMOTIONS

Promotions under this Manual will advance through one of three processes at the discretion of the Chief Investment Officer, Chief Financial Officer, or Chief Audit Officer. A promotion through any of these processes cannot occur as a benefit to an employee to earn a higher salary at the time annual salary adjustments are processed.

a) Promotion via automatic Longevity and Performance (Pay Group 1 only):

Positions covered in this Manual at the Pay Group 1 level shall be the only positions which shall qualify for automatic promotion based upon established longevity and performance criteria:

- Successful work from date of hire to first anniversary date as memorialized as “Commendable” in the Employee Performance Review; OR
- Successful work from date of hire to second anniversary date as memorialized as “Satisfactory” in the Employee Performance Review.

Upon meeting either of the criteria above, employees in Pay Group 1 shall promote to the appropriate Pay Group 2 classification with a salary at the entry level of Pay Group 2.

To effectuate an automatic Longevity and Performance promotion, management shall ensure:

- Documentation that the employee has met the requirements is provided to human resources;
- Employee position description is appropriately updated to reflect higher level duties; and
- Employee Performance Review date is reset from anniversary date to the business area schedule.

b) Promotion via Reclassification Action

Positions at the Pay Group 2 level and above may be considered for reclassification action. The process shall include creation of documentation supporting the performance of higher-level duties, review of relevant past performance and discipline, and confirmation of two years of satisfactory performance at the next lowest level. When the reclassification action process is used, the process followed will align that used for positions not covered by this Manual.

Upon successful completion of the reclassification action process, employees shall receive a salary at the entry level or an appropriate level within the next highest pay scale not to exceed 9% from their current salary.

c) Promotion via Vacancy-Based Posting

Promotions at the Pay Group 2 and above may occur as the result of a vacancy-based job posting. At management's discretion, positions at a higher level deemed necessary for the operations may be posted internally, externally, or both for bidding by any eligible employee. When vacancy-based posting is used, the process followed will align to that used for positions not covered by this Manual.

Upon selection as the successful candidate following a vacancy-based posting and interview process, employees shall receive a salary at the entry level or an appropriate level within the next highest pay scale not to exceed 9% from their current salary.

## 1.6. SALARY INCREASE FOR COMPLETION OF CHARTERED FINANCIAL ANALYST (CFA) EXAM – ALL INVESTMENT OFFICE POSITIONS

The Chief Investment Officer, with the concurrence of the Executive Director, shall have the discretion, subject to an individual's position in the pay group and the overall performance evaluation (both quantitative and qualitative contributions), to grant an individual an increase of up to 2.5% of annual salary for having successfully completed a level of the three levels that make up the CFA certification. Said increases shall be effective prospectively from the date the exam results or certification award are received in the Human Resources Office. The maximum amount that can be granted to an individual hereunder is 7.5% (2.5% x 3 levels = 7.5%). A one-time adjustment for this exam will be granted only to employees in pay groups 1 through 4. Future adjustments to salaries of all professional staff (pay groups 1 through 9) based upon the established quartiles, high, and low of the Public Pension Funds Select Group will also be adjusted accordingly by the percentage increase received for the CFA level held. Employees subsequently reassigned outside of the Investment Office, at any time, will no longer receive salary adjustments for having completed this certification.

#### 1.7. SALARY INCREASE FOR COMPLETION OF CHARTERED ALTERNATIVE INVESTMENT ANALYST (CAIA) EXAM – ALL INVESTMENT OFFICE POSITIONS

The Chief Investment Officer, with the concurrence of the Executive Director, shall have the discretion, subject to an individual's position in the pay group and the overall performance evaluation (both quantitative and qualitative contributions), to grant an individual an increase of up to 2.5% of annual salary for having successfully completed a level of the two levels that make up the CAIA certification. Said increases shall be effective prospectively from the date the exam results or certification award are received in the Human Resources Office. The maximum amount that can be granted to an individual hereunder is 5.0% (2.5% x 2 levels = 5.0%). A one-time adjustment will be granted only to employees in pay groups 1 through 4. Future adjustments to salaries of all professional staff (pay groups 1 through 9) based upon the established quartiles, high and low, of the Public Pension Funds Select Group will also be adjusted accordingly by the percentage increase received for the CFA level held. Employees subsequently reassigned outside of the Investment Office, at any time, will no longer receive salary adjustments for having completed this certification.

#### 1.8. SALARY INCREASE FOR COMPLETION OF FINANCIAL RISK MANAGER (FRM) OR PROFESSIONAL RISK MANAGER (PRM) EXAM(S) – ALL INVESTMENT OFFICE POSITIONS

The Chief Investment Officer, with the concurrence of the Executive Director, shall have the discretion, subject to an individual's position in the pay group and the overall performance evaluation (both quantitative and qualitative contributions), to grant an individual an increase of up to 2.5% of annual salary for having successfully completed part I or part II of the FRM (2.5% for each level) or PRM certification. Said increases shall be effective prospectively from the date the exam results or certification award are received in the Human Resources Office. The maximum amount that can be granted to an individual hereunder is 7.5% for the full completion of both exams. A one-time adjustment will be granted only to employees in pay groups 1 through 4. Future

adjustments to salaries of all professional staff (pay groups 1 through 9) based upon the established quartiles, high and low, of the Public Pension Funds Select Group will also be adjusted accordingly by the percentage increase received for the completion of the exam(s). Employees subsequently reassigned outside of the Investment Office, at any time, will no longer receive salary adjustments for having completed this certification.

#### 1.9. SALARY INCREASE FOR COMPLETION OF CERTIFIED SECURITIES OPERATIONS PROFESSIONAL (CSOP) EXAM – OPERATIONS INVESTMENT OFFICE POSITIONS

The Chief Investment Officer, with the concurrence of the Executive Director, shall have the discretion, subject to an individual's position in the pay group and the overall performance evaluation (both quantitative and qualitative contributions), to grant an individual an increase of up to 2.5% of annual salary for having successfully completed the CSOP certification. Said increases shall be effective prospectively from the date the exam results or certification award are received in the Human Resources Office. A one-time adjustment will be granted only to employees in pay groups 1 through 4. Future adjustments to salaries of all professional staff (pay grades 1 through 9) based upon the established quartiles, high and low, of the Public Pension Funds Select Group will also be adjusted accordingly by the percentage increase received for the completion of this exam. This salary increase and future adjustments, for this particular exam, applies only to staff assigned within the Operations Division. Employees subsequently reassigned outside of the Operations Division, at any time, will no longer receive salary adjustments for having completed this certification.

#### 1.10. SALARY INCREASE FOR COMPLETION OF CERTIFIED TREASURY PROFESSIONAL (CTP) EXAM – OPERATIONS AND FIXED INCOME INVESTMENT OFFICE POSITIONS AND OFFICE OF FINANCIAL MANAGEMENT POSITIONS

The Chief Investment Officer or Chief Financial Officer, with the concurrence of the Executive Director, shall have the discretion, subject to an individual's position in the pay group and the overall performance evaluation (both quantitative and qualitative contributions), to grant an individual an increase of up to 2.5% of annual salary for having successfully completed the CTP certification. Said increase shall be effective prospectively from the date the exam results or certification award are received in the Human Resources Office. A one-time adjustment will be granted only to employees in pay groups 1 through 4. Future adjustments to salaries of all professional staff (pay grades 1 through 9) based upon the established quartiles, high and low, of the Public Pension Funds Select Group will also be adjusted accordingly by the percentage increase received for the completion of this exam. This salary increase and future adjustments, for this exam, applies only to staff assigned within the Operations or Fixed Income Division of the Investment Office or to employees in the Office of Financial Management. Employees subsequently reassigned outside of the Operations or Fixed Income Division or the Office of Financial Management, at any time, will no longer receive salary adjustments for having completed either one of these certifications.

#### 1.11.SALARY INCREASE FOR COMPLETION OF CERTIFIED PROPERTY MANAGER (CPM) DESIGNATION – REAL ESTATE INVESTMENT OFFICE POSITIONS

The Chief Investment Officer, with the concurrence of the Executive Director, shall have the discretion, subject to an individual's position in the pay group and the overall performance evaluation (both quantitative and qualitative contributions), to grant an individual an increase of up to 5.0% of annual salary for having successfully completed the CPM certification from the Institute of Real Estate Management (IREM). Said increases shall be effective prospectively from the date the exam results or certification award are received in the Human Resources Office. The maximum amount that can be awarded to an individual hereunder is 5.0% for the full completion of eight courses, two exams and a Management Plan on an actual building. A one-time adjustment will be granted only to employees in pay groups 1 through 4. Future adjustments to salaries of all professional staff (pay grades 1 through 9) based upon the established quartiles, high and low, of the Public Pension Funds Select Group will also be adjusted accordingly by the percentage increase received for the completion of the exam(s). This salary increase and future adjustments, for the CPM certification, apply only to staff assigned to perform real estate functions within the Private Markets Division. Employees subsequently reassigned outside of this area, at any time, will no longer receive salary adjustments for having completed the CPM.

#### 1.12.SALARY INCREASE FOR COMPLETION OF CERTIFIED PUBLIC ACCOUNTANT (CPA) EXAM – OFFICE OF FINANCIAL MANAGEMENT POSITIONS

For the Office of Financial Management positions, the Chief Financial Officer, with the concurrence of the Executive Director, shall have the discretion, subject to an individual's position in the pay group and the overall performance evaluation (both quantitative and qualitative contributions), to grant an individual an increase of up to 2.5% of annual salary for having successfully completed two or more of the four sections of the CPA certification. Upon obtaining certification of two of the four sections of the exam, an individual will receive an adjustment of up to 2.5% of their annual salary. Upon obtaining certification for the third or fourth section of the exam, an individual will be granted an increase of up to 2.5% of their annual salary for each additional section completed. The maximum amount that can be added to an individual hereunder is 7.5% (2.5% for passing first two sections, 2.5% for passing a third section and 2.5% for passing a fourth section). Said increases shall be effective prospectively from the date the exam results or certification award are received in the Human Resources Office. A one-time adjustment will be granted only to employees in pay groups 1 through 4. Future adjustments to salaries of all professional staff (pay grades 1 through 6) based upon the established quartiles, high and low, of the Public Pension Funds Select Group will also be adjusted accordingly by the percentage increase received for the completion of the exam(s). Employees subsequently reassigned outside of the Office of Financial Management, at any time, will no longer receive salary adjustments for having completed this certification.

### 1.13.SALARY INCREASE FOR COMPLETION OF CERTIFIED GOVERNMENT FINANCIAL MANAGER (CGFM) DESIGNATION – OFFICE OF FINANCIAL MANAGEMENT POSITIONS

For the Office of Financial Management positions, the Chief Financial Officer, with the concurrence of the Executive Director, shall have the discretion, subject to an individual's position in the pay group and the overall performance evaluation (both quantitative and qualitative contributions), to grant an individual an increase of up to 2.5% of annual salary for having successfully completed one of the three required exams for the CGFM certification from the Association of Governmental Accountants. The maximum amount that can be granted to an individual hereunder is 7.5% (2.5% x 3 levels = 7.5%). Said increases shall be effective prospectively from the date the exam results or certification award are received in the Human Resources Office. A one-time adjustment will be granted only to employees in pay groups 1 through 4. Future adjustments to salaries of all professional staff (pay grades 1 through 6) based upon the established quartiles, high and low, of the Public Pension Funds Select Group will also be adjusted accordingly by the percentage increase received for the completion of the individual exams and the CGFM designation. Employees subsequently reassigned outside of the Office of Financial Management, at any time, will no longer receive salary adjustments for having completed this certification.

### 1.14.CERTIFICATION RELATED INFORMATION

No employee shall ever receive or have added to any future salary received, more than a 10% salary adjustment. To receive the increase from 7.5% to 10.0%, the employee must earn the full professional certification related to the exam taken. For example, if the employee has received a 7.5% salary adjustment for earning the CFA designation and takes level 1 of the CAIA, no additional adjustment will be made until the employee passes level 2 of the CAIA and earns the CAIA designation. Employees in the Office of Financial Management will only be eligible for the CPA, CGFM, and CTP salary adjustment while assigned to that office. Employees in the Investment Office shall only be eligible for the CFA, CAIA, FRM, PRM, CSOP (Operations professionals), CTP (Operations or Fixed Income professionals), and CPM (Private Market real estate professionals) salary adjustments while assigned to that office. The Professional Salary Certification Plan, Appendix 4, identifies specific salary information related to each certification. The granting and retention of such adjustments will be contingent upon the employee continuing to meet all of the certification requirements for continuing education and any other State requirement to ensure the certification remains active. When requested by Human Resources, documentation must be provided to ensure active certification. This may be requested every two years or on an as needed basis. Employees, who fail to meet the requirements of continued, active certification or fail to provide proper documentation, will not have such certification recognized prospectively for salary adjustment purposes.

## 1.15. TEMPORARY ASSIGNMENT IN A HIGHER CLASSIFICATION OR ACTING POSITION

When an employee is temporarily assigned to a higher level position or placed into an Acting capacity due to a vacancy, the employee shall receive a pay increase equal to 4.5% of their current base salary, or to the minimum salary of the pay range of the position of the higher class job title, whichever is greater. The employee will continue to receive the higher salary while actively serving in the higher classification.

## 2. JOB CLASSIFICATIONS

### 2.1. JOB CLASS STRUCTURE

The Board shall establish and maintain the job classifications for Investment Professionals. The job classifications are included in Appendix 3 and shall be consistent with market practices of similar public and private sector investment organizations. Jobs may be redefined, established, or abolished as deemed necessary based upon future compensation studies and succession planning needs.

### 2.2. ASSIGNMENT TO JOB CLASS

All positions in the Investment Office for which the Board has exclusive classification and pay authority shall be assigned by the Chief Investment Officer, with the concurrence of the Executive Director, to one of the general job classifications identified in Appendix 3 of this Policy Manual and, as a consequence, to one of the corresponding pay groups on the PSERS' Investment Pay Schedule set forth in Appendix 2 of this Policy Manual. The Chief Financial Officer shall assign positions in the Office of Financial Management, with the concurrence of the Executive Director, to one of the Office of Financial Management jobs identified in Appendix 3 and, as a consequence, to one of the corresponding pay groups on the PSERS Investment Pay Schedule set forth in Appendix 2 of this Policy Manual. The Executive Director will assign the Chief Financial Officer and Deputy Executive Director and Director of Defined Contribution Investments positions as noted in the above section. Each position shall be assigned to a pay group based upon:

- Level of responsibility
- Knowledge, skills, education, and experience required
- Comparable positions to other Public Pension Funds

The job classifications adopted by the Board represent the high-level job characteristics applicable to each position. More detailed responsibilities and job requirements are documented in the specific position descriptions for each class. The position descriptions may identify additional requirements for the specific position. For the Investment Office positions, the primary differences from the Junior level (PG1) through the Senior level (PG3) are the years of experience, which lead to the incumbent working more autonomously and having a more direct contribution to the investment results of

PSERS. The primary differences between a Manager, Investment Office (PG4) and a Senior Manager, Investment Office (PG5) and between a Director, Investment Office (PG6) and Managing Director, Investment Office (PG7) are the level of responsibility and discretion exercised at the higher level. For the Office of Financial Management positions, the differences between the Investment Accounting Specialist (PG1) through the Director, Investment Accounting and Financial Management (PG4) are also a result of the years of experience and the demonstrated expertise in investment accounting and financial management.

### 2.3. BOARD DISCRETION

The Board may at its discretion and at any time add, revise, or delete job classifications to remain competitive with the job market.

## 3. PERFORMANCE MANAGEMENT

PSERS is committed to attracting, developing, managing, and retaining a high performing diverse and productive workforce. As such, PSERS requires effective performance management. Performance management entails constructive direction, training, assessment, feedback, and recognition of employees by managers and supervisors to assure a competent, high-performing, and motivated workforce. Establishing clear expectations and evaluating performance are very important parts of that process. The annual performance review provides supervisors the opportunity to formally discuss performance expectations and outcomes with staff.

As part of the performance management process, performance evaluations for Investment Professional staff shall be issued consistent with the Commonwealth's policy, Management Directive 540.7, Performance Management Program or another process approved by the Executive Director in consultation with the Director of Human Resources.

The Chief Investment and Chief Financial Officers and the Deputy Executive Director and Director of Defined Contribution Investments will receive annual performance evaluations utilizing the Commonwealth's Senior Management Service performance evaluation form or another form approved by the Executive Director in consultation with the Director of Human Resources. Investment Professional staff will receive annual performance evaluations using the Commonwealth's most current employee performance review form or another form approved by the Executive Director in consultation with the Director of Human Resources. New employees will receive an interim evaluation after six months to assess continued employment.

The annual performance evaluation rating will be used to determine annual salary adjustments in accordance with section 1.4 of this manual.

#### **4. PERSONAL TRADING**

Due to the significant role of PSERS' staff in the daily investing activities of the fund, PSERS' Code of Conduct for Investment Operations (its own policy) provides the framework for the proper conduct of employees involved in the investment operations of the agency and outlines the various restrictions on personal investments. PSERS' Internal Auditor is charged with the responsibility to monitor compliance with the Code.

#### **5. MISCELLANEOUS PROVISIONS**

##### **5.1 RECRUITMENT AND PLACEMENT**

The filling of the vacancy for the Chief Investment Officer position will be authorized by the Board and may involve active recruitment utilizing the services of an executive search firm.

With the exception of the Chief Investment Officer position, the filling of vacancies for Investment Office Professional positions will be at the discretion of the Chief Investment Officer, with the concurrence of the Executive Director; the filling of vacancies for Office of Financial Management positions will be at the discretion of the Chief Financial Officer, with the concurrence of the Executive Director; and the filling of the vacancy for the Chief Financial Officer or Deputy Executive Director and Director of Defined Contribution Investments positions will be at the discretion of the Executive Director.

The filling of all Investment Professional vacancies will comply with the Commonwealth policies for filling senior level non-civil service positions and may involve internal promotions or active recruitment.

In addition to the employment reference checks required by Commonwealth policy, background checks utilizing the services of a national background search firm will be conducted for all Investment Professional positions that are filled. At a minimum, these will include criminal history checks.

Consistent with Commonwealth policies and directives, recruitment shall not be influenced by race, color, religion, sex, sexual orientation, national origin, disability, age, or ancestry.

##### **5.2 AT WILL EMPLOYMENT**

The Public School Employees' Retirement Board reserves the right to terminate the employment of an Investment Professional at any time for any reason or no reason, except as prohibited by law.

### 5.3 SUCCESSION PLANNING

The Executive Director, Deputy Executive Director and Director of Defined Contribution Investments, Chief Investment Officer, Chief Financial Officer, Deputy Chief Investment Officer, Investment Managing Directors, and the Director for Investment Accounting and Financial Management are responsible for workforce and succession planning in their respective areas to ensure effective business continuity. Areas to address for this purpose should include knowledge management, staff development, career progression, and staffing projections.

### 5.4 EXCEPTIONS

The Board reserves the right to revise or make exceptions to this Policy Manual at any time.

### 5.5 REVIEW

The Governance and Administration Committee has oversight of this Policy Manual and shall review this Policy Manual at least once every five years.

## Appendix 1

### PSERS' Peer Comparator Group

Based upon the Classification and Compensation Study for PSERS' Investment Professionals authorized by the Board and presented by McLagan Partners in May 2007, the Board has selected the following Public Funds Select Group as the peer comparator group for determining salaries for PSERS' Investment Professionals. During the most recent study, conducted by CBIZ Human Capital Services in January 2015, the existing group was used to determine the most comparable size to PSERS, investment activities, and location, as appropriate. The existing group generally represents public pension funds that are similar in size and investment approach to PSERS.

- California Public Employees' Retirement System
- California State Teachers' Retirement System
- Florida State Board of Administration
- Division of Investment Services, State of Georgia
- Michigan State Retirement Systems
- New Jersey Division of Investment
- New York State Common Retirement Fund
- North Carolina Retirement Systems
- Ohio Public Employees' Retirement System
- State Teachers' Retirement System of Ohio
- Pennsylvania State Employees' Retirement System \*
- Teachers' Retirement System of Texas
- Virginia Retirement System
- Washington State Investment Board
- State of Wisconsin Investment Board

\* The PA State Employees' Retirement System is included based on geographic location.

Appendix 2

Baseline Investment Pay Schedule – Effective January 1, 2017

Quartiles	PG	1	2	3	4	5	6	7	8	9
	IO	Jr Inv Prof	Inter Inv Prof	Sr Inv Prof	Mgr IO	Sr Mgr IO	Dir IO	Mng Dir IO	Deputy CIO	CIO
	OFM	Inv Acct Spec	Sr Inv Acct Spec	Mgr Inv Acct & OFM	Dir Inv Acct & OFM		CFO			
	EO	Inv Jr Aud Spec	Inv Aud Spec	Asst Aud Exe Invest	Deputy ED & DDCI/Chief Aud Off					
1 <sup>st</sup>	Min ↓	60,656	83,756	113,331	163,522	182,084	201,840	221,576	285,596	340,657
2 <sup>nd</sup>	↓	64,450	90,035	121,820	179,932	200,275	223,395	246,495	321,293	383,239
3 <sup>rd</sup>	<u>Median</u> ↓	68,245	96,333	130,328	196,285	218,485	244,950	271,415	356,990	425,821
4 <sup>th</sup>	↓	72,039	102,612	138,817	212,656	236,696	266,525	296,354	392,687	468,403
	Max	75,834	108,891	147,326	229,008	254,906	288,090	321,273	428,384	489,998

The chart above represents the baseline pay schedule and shows the minimum and maximum salary for each pay group. The minimum and maximum amounts and the corresponding quartiles will be adjusted by a factor of 2.5%, 5%, 7.5%, or 10% for employees who complete or have completed and maintain a certification/designation in whole or in part as outlined in Appendix 4.

When an employee’s salary falls at the beginning of the 2<sup>nd</sup> quartile range to just below the median, the employee will be considered in the 2<sup>nd</sup> quartile for purposes of calculating the annual salary adjustment. When an employee’s salary falls at the median to just below the beginning salary of the 4<sup>th</sup> quartile range, the employee will be considered in the 3<sup>rd</sup> quartile for purposes of calculating the annual salary adjustment.

Example of Quartile – Pay Group 1:

- 1<sup>st</sup> quartile = \$60,656 to \$64,449
- 2<sup>nd</sup> quartile = \$64,450 to \$68,244
- 3<sup>rd</sup> quartile = \$68,245 to \$72,038
- 4<sup>th</sup> quartile = \$72,039 to \$75,834

Appendix 3

Job Classifications for PSERS' Investment Professionals

**Investment Office Positions**

Job Title	Job Code	Pay Group (IP Schedule)
Junior Investment Professional	P7201	1
Intermediate Investment Professional	P7202	2
Senior Investment Professional	P7203	3
Manager, Investment Office	P7204	4
Senior Manager, Investment Office	P7205	5
Director, Investment Office	P7213	6
Managing Director, Investment Office	P7206	7
Deputy Chief Investment Officer	P7207	8
Chief Investment Officer	P7208	9

**Executive Office Positions**

Job Title	Job Code	Pay Group (IP Schedule)
Deputy Executive Director and Director of Defined Contribution Investments	P7215	4
Chief Audit Officer	P7219	4
Assistant Audit Executive Investments	P7218	3
Investment Audit Specialist	P7217	2
Investment Junior Audit Specialist	P7216	1

**Office of Financial Management Positions**

Job Title	Job Code	Pay Group (IP Schedule)
Investment Accounting Specialist	P7209	1
Senior Investment Accounting Specialist	P7210	2
Manager, Investment Accounting and Financial Management	P7211	3
Director, Investment Accounting and Financial Management	P7214	4
Chief Financial Officer	P7212	6

The Investment Professional Job Classification Specifications are maintained in PSERS' Human Resources Office and will be updated accordingly from time to time to support changes, as they occur, to job functions and responsibilities. The specifications include the job title, classification code, assigned pay schedule and group (in SAP), a general definition of the job, and the minimum experience and training requirements. The specifications are used to determine the proper classification and level of the position based on job functions and responsibilities

Appendix 4

Professional Salary Certification Plan Review

<b>Professional Certifications – Baseline Investment Pay Schedule Adjustments</b>				
<b>Certification</b>	<b>Abbreviation</b>	<b>Subdivisions</b>	<b>Adjustment</b>	<b>Total</b>
Chartered Financial Analyst	CFA	3 Levels	2.5%/level	7.5%
Chartered Alternative Investment Analyst	CAIA	2 Levels	2.5%/Level	5%
Financial Risk Manager	FRM	2 Parts	2.5%/Part	5%
Professional Risk Manager	PRM	4 Parts	5.0% for completion	5%
Certified Securities Operations Professional	CSOP	1 Exam	2.5%/Exam	2.5%
Certified Treasury Professional	CTP	1 Exam	2.5%/Exam	2.5%
Certified Property Manager	CPM	8 courses, 2 exams, 1 Management Plan	5.0% for completion	5%
Certified Public Accountant	CPA	4 Sections	2.5%/Section*	7.5%
Certified Government Financial Manager	CGFM	3 Exams	2.5%/Exam	7.5%
* Must complete 2 sections for the initial adjustment of 2.5%				

Certifications may be combined based on the duties of the individual involved up to a maximum of 10%, subject to the provisions in section 1.15.

Adjustments available to Investment Office employees:

- CFA
- CAIA
- FRM
- PRM
- CSOP (Operations Division Only)
- CTP (Operations and Fixed Income Divisions Only)
- CPM (Private Markets Real Estate Division Only)

Adjustments available Office of Financial Management employees:

- CPA
- CGFM
- CTP

## Document Properties

Document Owner: Executive Office

Document Author: Executive Office

Summary of Changes:

Date	Version	Author	Summary
8/11/2023	1.0	Governance & Administration Committee	<p>Assign to Governance and Administration Committee. Update to Promotions (1.5) language, along with the following implementation guidance:</p> <p>Upon successful passage of a PSERS Board resolution and retroactive to the date of this memo, all current, eligible staff who meet the criteria outlined in the adopted policy language of “1.5 Promotions” will receive an auto-promotion to the next higher classification.</p> <p>This will be a one-time action at the time of this memo. All future auto-promotions will occur as outlined in the policy.</p>